

FISCAL NOTE FOR NON-CAPITAL PROJECTS

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Legislation Title:

A RESOLUTION concerning the City of Seattle's interest in expanding access to economic opportunity by increasing construction employment and providing career ladders for those historically facing barriers to jobs in the construction industry, including women, people of color, and otherwise disadvantaged individuals, particularly those who are also Seattle residents; creating the ad hoc Construction Careers Advisory Committee to develop a report with recommendations to the Mayor and City Council on strategies to improve access to construction careers, including a targeted hire policy and pipeline and training programs; establishing membership criteria for the Committee; and setting forth a Committee process and schedule.

Summary of the Legislation:

The City will create and staff an Ad Hoc Construction Careers Advisory Committee (Committee) to develop recommendations for the Mayor and City Council on strategies to improve construction career opportunities for women, people of color, and otherwise disadvantaged individuals, in particular those who are also Seattle residents. The Committee will be jointly selected by the Mayor and City Council and will sunset on March 31, 2014, unless its continued existence is authorized by future resolution. "Disadvantaged" is defined in this Resolution as individuals who are economically or socially disadvantaged, such as low-income, unemployed, veterans, residents with criminal backgrounds, homeless, single head of household and individuals with limited English proficiency. "Seattle resident" is defined in the Resolution as those reporting to reside within the city limits.

The Committee will consist of 15 members to equitably represent the interests important to a successful solution. Each member may also name one alternate member:

- (5) Contractors (2 General, 2 Minority, 1 Subcontractor)
- (3) Union representatives (Building Trades and NW Regional Council of the National Construction Alliance)
- (3) Coalition/community representatives
- (3) Training or pipeline program providers
- (1) Representative with policy expertise (labor economics or construction work force research.)

The Committee will be staffed by the Department of Finance and Administration Services (FAS) and committee meetings will be facilitated by a consultant hired by FAS. The Committee will meet from October 2013 through February 2014. Meeting times and frequency will be determined at a later date but it is anticipated the Committee will meet twice a month for five

months. The committee recommendations will be submitted in a written report to the Mayor and City Council. The Committee will sunset on March 31, 2014, unless extended by future Council Resolution.

Background:

In 2011 the unemployment rate in Seattle-Tacoma-Bellevue was 8.9 percent, however the unemployment rates differed by race and gender. In particular, white men were at 8.7 percent; African American men and women were at 18.1 percent; Latino men and women were at 13.9 percent; Asian Pacific Islander men and women were at 6.5 percent; and women who maintain families were at 10.6 percent.

The City of Seattle funds and contracts for construction projects to construct, repair and maintain municipal facilities and infrastructure. In 2012 the City of Seattle spent approximately \$220 million on public works contracts through payments to private construction companies. The City's capital investment dollars create the equivalent work hours of 2 jobs per million dollars spent, providing enough total hours to equal approximately 446 full time construction jobs in 2012, with a similar number of total hours in most years. It is anticipated the City of Seattle will continue major construction project bids and awards in future years.

The City of Seattle is interested in expanding access to economic opportunity by increasing construction employment and providing career ladders for those historically facing barriers to jobs in the construction industry, including women, people of color, and otherwise disadvantaged individuals, particularly those who are also Seattle residents.

The City of Seattle is a strong supporter of and has found construction job training programs, including apprentice and pre-apprentice programs, to be an effective way to prepare individuals for entry into construction jobs, and to ensure women, people of color, and otherwise disadvantaged individuals, particularly those who are Seattle residents, acquire necessary job skills and are prepared to successfully pursue construction careers. Seattle Municipal Code Chapter 20.38 requires contractors to hire apprentices enrolled in registered apprentice training programs. Pre-apprentice and apprentice training programs have successfully established strong diversity among apprentices. Apprentices on City projects in 2013 include 38 percent people of color and more than 13 percent women, providing greater diversity among the apprentice workforce than among journey level craft hours.

Since 2002 the City of Seattle has pursued aspirational programs for women and minority business participation in City funded construction work, and established pursuit of aspirational goals for such businesses, beginning in 2005 through Seattle Municipal Code Chapter 20.42. The City's Women and Minority Business (WMBE) aspirational goals have increased the share of dollars spent with underutilized women and minority businesses for construction of City funded projects. The City's progress in WMBE business utilization evidences the opportunity to develop similar improvement for women and minority workers in construction. The City also recognizes that gains made by

WMBE firms need to be protected and not harmed by any hiring policies directed to construction firms performing City public works.

San Francisco, the City of Los Angeles, and other jurisdictions have found comprehensive policies, rather than project by project solutions, to be effective at creating a consistent worker pipeline and continuous job opportunities. Creating a steady flow of jobs for workers is ideal because it provides workers experience and training programs, contractors and labor unions continuity.

San Francisco adopted a targeted local hire ordinance in 2010 requiring contractors to hire a percentage of local residents from San Francisco, and their Annual Report states that 34 percent in 2012 and 32 percent in 2013 of all craft hours were worked by San Francisco residents; and 60 percent in 2012 and 56 percent in 2013 of all apprentice hours were worked by San Francisco residents.

The City of Los Angeles adopted a different solution to encourage local employment. Los Angeles executed a Project Labor Agreement (PLA) with a Community Workforce provision for target hire, on construction projects worth a total of \$1 billion. Currently, Los Angeles has 33 percent of total journey hours and 23 percent of apprentice hours performed by local workers. More than 1.2 million local work hours are performed by Los Angeles residents, including 10 percent by disadvantaged workers, and an estimated \$41 million in wages and benefits were earned by Los Angeles residents.

The City of Seattle would benefit from the experience, perspective and knowledge of these experiences in other cities as well as the experience of King County and Sound Transit. Contractors, labor unions, construction workers, work force training providers, community members, and City experts would benefit from a collaborative review of such policies, as well as review of Seattle employment demographics, training opportunities, and other data. The City would benefit from a collaborative exploration to consider impacts and benefits of various policy options and recommendations that can provide comprehensive long-term strategies which increase construction career opportunities for women, people of color, and otherwise disadvantaged individuals, particularly Seattle residents, in City funded construction projects. Therefore, the City will create an Ad Hoc Advisory Committee to develop a Report with recommendations to the Mayor and City Council.

The City Council and Mayor intend to consider the recommendations in the Advisory Committee's Report to determine how to increase construction career opportunities for women, people of color, and otherwise disadvantaged individuals, in particular those that are also Seattle residents, for City-funded projects.

X This legislation has financial implications.

Appropriations

Appropriations are not made by Resolution.

However, this project was unanticipated when FAS submitted its 2013 budget and the Mayor and Council would like the Advisory Committee to be formed and begin work in autumn 2013 before the 2014 budget is adopted. Below is an outline of anticipated costs for the Advisory Committee work that would begin in 2013 (Phase 1) and continue through early 2014 (Phase 2), and provides an estimate of future costs to implement potential recommendations (Phase 3). The costs below are organized by phase and are additive. To fund the full program through to a likely implementation, Phase 1, Phase 2 and Phase 3 would be added together for a total. To fund only the Advisory Committee, Phase 1 and Phase 2 would be added together.

The costs are listed separately to reflect the decision points and because 2013 funds needed will be requested through 2Q Supplemental General Fund and 2014/2015 funds will be requested through a Budget Issue Paper. A summary by FAS is Attachment A to this Fiscal Note.

Phase 1: 2013 Immediate Advisory Committee Needs - Costs for the Advisory Committee (\$100,000):

FAS can absorb \$50,000 of the costs to staff and support the Advisory Committee, but requires an additional \$100,000 in 2013. This additional \$100,000 allows FAS to staff the Advisory Committee, complete payroll sampling data analysis and comparative analysis of targeted hiring models called for in the Resolution, and contract for the Advisory Committee facilitator.

A request to amend the 2013 General Fund 2nd Quarter Supplemental Budget will be made by City Council for these costs.

Phase 2: 2014 Required for Advisory Committee (\$126,000): This phase supports the Advisory Committee functions, researching and preparing recommendations for Mayor and Council decision by midyear 2014. This phase includes an Administrative Staff Analyst (ASA) who would continuously staff the Committee through June (\$66,000) and consultant costs of \$60,000 for research. The total cost in 2014 for Phase 2 would be \$126,000. Phase 2 assumes (1) the Advisory Committee is thereafter terminated and no further program work is desired, or (2) appropriate funding would be secured as needed at that time, such as emergency legislation or supplemental budget actions.

Phase 3: 2014 Potential Target Hire Program (\$340,000): This phase includes costs to staff and support a program, should Mayor and Council decide to enact a Target Hire program without interruption. \$240,000 would be needed to (1) continue the Administrative Staff Analyst for program design and support full-time through 2014, (2) add two additional ASA staff starting in April 2014 for enforcement, monitoring and support; and (3) adds \$100,000 for worker training and support programs. The total costs in 2014 under this phase would be \$340,000.

Staffing:

To recap, FAS needs one new FTE in 2013 to conduct the work called for in this Resolution, to manage Committee logistics, data compilation, research and analysis. Depending on Advisory Committee recommendations, this staff person would provide ongoing support and enforcement into 2014 and thereafter. For example, demographics are not static and demographic analysis would be an ongoing need to support the program measures and goals. Policies will need to be

developed and maintained; forms, boilerplates and contract language will be required and must be maintained and updated as the program gets underway and continues.

FAS anticipates needing 2 additional FTEs (Administrative Staff Analysts) to provide ongoing on-site enforcement, monitoring, document verifications, and similar work for any program or policy adopted as a result of the Committee's recommendations.

Program Changes

The City would likely need to invest in established training programs which help individuals, particularly women and people of color with economically or socially disadvantaged backgrounds, access construction careers. FAS has estimated costs for such an investment in worker pipeline training and support programs as a likely strategy the Committee would recommend.

Other Implications:

a) Does the legislation have indirect financial implications, or long-term implications?

Please see summary above.

b) What is the financial cost of not implementing the legislation? Seattle has an opportunity to prepare and assist more individuals, particularly those who have historically not been able to access careers in the construction industry, such as women, people of color and otherwise disadvantaged individuals, particularly Seattle residents. Providing construction career opportunities will help stabilize workers, neighborhoods and the city's economic base; and reduce the social service costs that result from chronic unemployment and under-employment.

If the supply of new workers is not increased, the City may incur increased labor costs due to a limited supply of qualified construction workers during a time of increasing demand. The older work force is retiring yet few new workers are being systematically developed to backfill the demand for workers. This projected workforce shortage will likely cause increased labor costs on City construction contracts. Data supports this conclusion; local construction prevailing wage patterns in the past 10 years follow supply/demand patterns.

c) Does this legislation affect any departments besides the originating department?

Yes, FAS

d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?

An Advisory Committee is being convened specifically to explore alternatives.

e) Is a public hearing required for this legislation? No.

f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No.

g) Does this legislation affect a piece of property?

No.

h) Other Issues:

List attachments to the fiscal note below:

Attachment A: Project Funding Needs as Estimated by FAS